



March 30, 2010

Mr. Charles D. Wagner, Chairman
And Members of the Franklin County Board of Supervisors
County Board Room
Rocky Mount, Virginia 24151

Dear Chairman Wagner and Members of the Board:

It is my pleasure to transmit to you today my recommendations for a balanced 2010-2011 budget for the citizens of Franklin County. I am pleased that I am able to recommend this fiscal plan for your consideration and look forward to the Board's feedback and response to the many difficult decisions that went into this recommendation.

As you know, Section 15.2-2503 of the Code of Virginia, as amended, states that the County budget shall be developed for "informative and fiscal planning purposes only". It serves as a plan for County operations, maintenance, capital outlay, and debt service and may include reserves for contingencies and future capital improvements. The annual budget must contain a complete itemization of all estimated expenditures, revenues, and borrowings and must be approved by the governing body prior to July 1 of each year. Similarly, the School Board Budget must be adopted by May 1 of each year.

The power of the Board of Supervisors to grant or withhold funds is an important means by which it can determine general County policies and the level of services to be offered. Budgeting is a planning process required by law that enables the Board of Supervisors to examine requests for County funds, to anticipate revenue needs, and to make decisions about the priority of programs and level of services to be provided. It is a work-plan expressed in terms of dollars and as such is an important tool of fiscal management.

Staff's recommendation for the County's fiscal plan for the FY10-11 Budget totals \$120,098,026. This total represents a **3.1% decrease** over the current year adopted budget of \$123,871,485. The dollar decrease from the current year adopted budget to the FY10-11 proposed budget is \$3,773,459 and is broken down roughly as follows:

- The following major categories are all showing proposed decreases:
 - General and Financial Administration: (\$107,706)
 - Community Development: (\$243,565)
 - Judicial Administration (\$232,902)

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- Public Safety (\$71,871)
 - Capital: (\$73,375)
 - Utilities: (\$268,613)
 - Parks, Recreation and Libraries: (\$74,263)
 - Schools (\$3,416,070)
- Increases in the proposed budget are in the areas of social services and general properties.
 - \$443,632 increase in Social Service programs including programs such as food stamps, child protective service referrals, energy assistance and adult services
 - \$204,918 increase in utilities and contractual services.

<u>Function</u>	Adopted		Proposed	
	2009-2010		2010-2011	
	<u>Budget</u>		<u>Budget</u>	<u>Difference</u>
General Administration	\$ 3,823,114	\$	3,715,408	\$ -107,706
Judicial System	2,611,872		2,378,970	-232,902
Public Safety	12,673,336		12,601,465	-71,871
Public Works	2,794,228		2,880,683	86,455
Health and Welfare	10,871,595		11,065,318	193,723
Schools	81,424,672		78,008,602	-3,416,070
Recreation & Cultural	1,816,886		1,742,623	-74,263
Community Development	2,295,061		2,051,496	-243,565
Debt, Capital, Utilities	<u>5,560,721</u>		<u>5,653,461</u>	<u>92,740</u>
Totals	\$ <u>123,871,485</u>	\$	<u>120,098,026</u>	\$ <u>-3,773,459</u>

There were a number of concerns and circumstances that set the stage for the budget development this year and provided the framework by which this proposed budget was developed. Virginia's economy has been and will continue to be sluggish at least through the end of calendar year 2010. State-wide, the housing market continues to be troubled. Some data suggests that the market may have bottomed out, and we are even seeing some signs of a housing revival in certain communities, but the threat of more foreclosures and tight credit markets still causes concern.

Local sales tax (a clear indication of consumer spending) is projected to decline 12% in the 10-11 proposed budget. Other revenue decreases reflective of the slow housing market include building permits and planning and zoning fees declining \$60,000 (15%), and reductions of landfill fees totaling \$156,587 (20%).

The state continues to reduce its' share of funding for K-12 education. It is projected that the School system will receive approximately \$6.1 million less (15%) in state funding for FY10-11.

Of significant note on proposed expenditures are the following:

- Continuing funding for the following items in the Information Technology Infrastructure area: computer replacement, security and licensing.
- 10 FTE's were eliminated from the General government side of the budget.

In terms of school funding for FY10-11, I am recommending the following:

- ☞ Increased local operational funding of \$2,835,076 – this increase is in response to decreased state funding for the schools of \$6.1 million or 15%.
- ☞ Continued School Capital funding of \$880,000 plus \$160,000 for school bus replacement and \$60,000 in reserve for future capital or debt service.

Other Highlights in the Budget Include:

- 0% salary increase,.2% employee contribution towards VRS

Major Capital Improvements proposed for FY10-11:

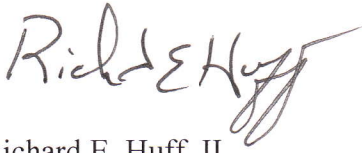
- Funds \$250,029 for Disaster Recovery Protection of Mission Critical Information as well as other Technology Infrastructure Improvements.
- Continues Landfill Monitoring and Groundwater Corrective Action Expenditures as well as preliminary engineering work on the new landfill. Funds a replacement collection truck and a truck to haul liquid waste (leachate) at the landfill.
- Includes \$242,522 for Fire/EMS Apparatus and Vehicles and \$137,750 for Law Enforcement Vehicles.
- Provides \$250,000 in local economic development funding incentives.
- Establishes a Job Creation Fund of \$200,000.
- Identifies recurring revenue for the replacement of school buses.

The recommendations outlined above are recommendations that require the 2010-2011 Budget be funded with the following tax rates:

Real Estate	\$0.49 per \$100 assessed valuation
Personal Property	\$2.09 per \$100 assessed valuation
Machinery & Tools	\$0.60/\$0.27 per \$100 assessed valuation
Merchants Capital	\$1.08 per \$100 assessed valuation

In closing, I would be remiss if I did not extend my utmost gratitude to the County's staff, who have worked diligently in the preparation of this plan. I would be happy to answer any questions which may have been generated and staff looks forward to working with you over the next several weeks to produce a plan that addresses our fiscal responsibilities for the coming year.

Respectfully submitted,



Richard E. Huff, II
County Administrator